

## Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 SP-02 L-01 PM-03

OES-02 EUR-08 EA-06 ARA-06 NEA-06 AF-04 CIAE-00 INR-05

IO-03 PRS-01 DODE-00 SAM-01 /071 W

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R 211055Z MAR 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2144

S E C R E T SECTION 1 OF 2 ALGIERS 0755

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJ: HOST GOVERNMENT POSITIONS FOR A CONSUMER/PRODUCER  
CONFERENCE

REF: STATE 058837

1. FOLLOWING IS RESPONSE STATE 058837 FOLLOWING OUTLINE  
USED THAT MESSAGE.

2. PROCEDURAL ISSUES

A. BILATERAL OR TRILATERAL CONFERENCE: TERM  
TRILATERAL BEING USED DIFFERENTLY BY DIFFERENT PEOPLE.  
WHILE ALGERIANS ORIGINALLY SAID THEY FAVORED IT WHAT  
THEY MEANT WAS THAT THEY WANT BILATERAL CONFERENCE WITH  
OPEC AND LDC CONSUMERS ON ONE SIDE OF TABLE AGAINST  
DCS ON OTHER.

B. ATTENDANCE: ALGERIANS THINK OPEC AND LDC REPRE-  
SENTATION SHOULD BE ENLARGED. THEY HAVE RELUCTANTLY  
GONE ALONG WITH SAUDI PROPOSAL ON LDC CONSUMER  
REPRESENTATION (INDIA, ZAIRE AND BRAZIL) BUT THINK  
SLATE IS TOO CONSERVATIVE. THEY WILL LOBBY STRONGLY  
FOR MORE RADICAL LDC REPRESENTATION AT FOLLOW-UP

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CONFERENCE. ON OPEC REPRESENTATION THEY MAY LOBBY FOR

INCLUSION NIGERIA AND IRAQ. ALTHOUGH ALGERIANS HAVE DESCRIBED FORMATION OF IEA AS HOSTILE ACT THEY PROBABLY WILL NOT BALK AT OBSERVER STATUS FOR THAT ORGANIZATION. ALGERIANS HAVE SAID (ABDESSELAM'S SPEECH TO OPEC PREPARATORY MEETING) THAT UN WOULD BE THE MOST APPROPRIATE FORUM FOR DISCUSSING PROBLEMS IN QUESTION AND THEY PRESUMABLY WOULD WELCOME SOME SORT UN PARTICIPATION. IF SECOND PREPARATORY CONFERENCE IS HELD, AS ALGERIANS HAVE INDICATED THEY CONSIDERING BECAUSE OF THEIR DISSATISFACTION OVER AGENDA, SCOPE AND LINEUP AT THIS ONE, WE HEAR THEY ARE THINKING IN TERMS OF 24 COUNTRIES: 8 DC, 8 LDC, 8 OPEC.

C. FORMAT: BRITISH, WHO HAVE JUST DISCUSSED QUESTION WITH ALGERIANS, SAY LATTER SEEM TO HAVE GIVEN LITTLE OR NO THOUGHT TO THIS. ALGERIAN POSITION HAS BEEN THAT ONCE DECISION TAKEN ON AGENDA, FORMAT WILL TAKE CARE OF ITSELF. WOULD BE SURPRISED, HOWEVER, IF THEY DO NOT HAVE FIXED POSITION IN THIS REGARD BY TIME PREPARATORY CONFERENCE OPENS.

D. LOCATION: WE HAVE NO INDICATION ALGERIAN DESIRES IN THIS REGARD BU ASSUME THEY WOULD PREFER FRANCOPHONE CAPITAL AND WOULD NOT BE SURPRISED TO HAVE THEM PUT FORWARD ALGIERS AS APPROPRIATE SITE.

E. CHAIRMANSHP: WE HAVE NO INDICATION AT THIS POINT OF ALGERIAN PREFERENCES IN THIS REGARD BUT CAN BE SURE THEY WILL WANT A PROMINENT ROLE IN CONFERENCE OPERATION. THEY WOULD PROBABLY BE AMENABLE TO SELECTION OF BONA FIDE NEUTRAL, SUCH AS UN SECRETARY GENERAL, AS CHAIRMAN BUT DOUBT THEY WOULD ACCEPT ANY DCS.

F. DATE: WE PRESUME REFERENCE IS TO FOLLOW-UP CONFERENCE. WE HAVE NO INDICATION ALGERIAN DESIRES. PRESUME THEY WOULD PREFERE SOONER RATHER THAN LATER AND ARE LIKELY TO BE RESTIVE UNDER A TIME- CONSUMING PREPARATORY SCHEDULE.

### 3. CONSUMER ISSUES

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A. WORLD OIL/ENERGY SITUATION: AS ALGERIANS HAVE MADE MATTER OF RECORD ON FREQUENT OCCASIONS, THEY REGARD OIL AND ENERGY PROBLEM AS ONLY ONE ASPECT OF MUCH LARGER PROBLEMS OF RAW MATEIRALS IN GENERAL AND OF CONTEST BETWEEN DEVELOPING COUNTRIES AND LDCS.

B. ECONOMIC DEVELOPMENT OF AND INVESTEMENT IN

PRODUCER-COUNTRIES: ALGERIA AND OIL PRODUCERS DO NOT LIKE CONCEPT OF FOREIGN INVESTMENT IN LDCS SINCE IT GIVES CAPITALISTS STAKE AND INFLUENCE IN LDC ECONOMIES. THEY ARE MORE INTERESTED IN CAPITAL AND TECHNICAL TRANSFERS. THEY HAVE THEIR OWN AMBITIOUS DEVELOPMENT PLAN AND HAVE VERY SPECIFIC IDEAS AS TO WHAT DEVELOPED WORLD CAN CONTRIBUTE TO IT. THEY ARE PARTICULARLY INTERESTED IN EASY CREDIT AND NEED DOLLARS 2 BILLION WORTH THIS YEAR.

C. ECONOMIC DEVELOPMENT OF AND INVESTMENT IN

LDCS: AS FAR AS ALGERIANS CONCERNED "INVESTMENT" SHOULD BE CHANGED TO "AID TO". THEY HAVE COMPLAINTS REGARDING THE LEVEL AND NATURE OF DEVELOPMENT AID TO THE LDCS INCLUDING ALGERIA. THIS IS SPELLED OUT IN SOME DETAIL IN MEMORANDUM DISTRIBUTED AT OPEC SUMMIT AND REFERRED TO IN OUR 0621 (UNFORTUNATELY WE HAVE NO COPY OF MEMO). IN PARTICULAR THEY COMPLAIN OF THE INADEQUACY OF CONTRACTUAL GUARANTEES, I.E., ON PERFORMANCE BY FOREIGN CONTRACTORS, AND OF THE NEED FOR A NEW LEGAL FRAMEWORK GOVERNING CONTRACTUAL RELATIONS BETWEEN LDCS AND FOREIGN GOVERNMENTS AND CORPORATIONS. THEY APPEAR TO HAVE IN MIND FOREIGN GOVERNMENTS TAKING RESPONSIBILITY FOR THE PERFORMANCE OF THEIR CONTRACTORS.

D. SHORT-TERM FINANCIAL FLOWS: WE ARE NOT SURE

WHAT IEA HAS IN MIND IN THIS RESPECT. IF IT IS QUESTION OF CURRENCY TRANSACTIONS BY OIL PRODUCERS, ALGERIA WHICH IS USING ALL OF ITS OIL RESERVES FOR PURCHASE INDUSTRIAL AND RAW MATERIALS ABROAD AND HAS NONE FOR INVESTMENT OR SPECULATION, IS PRESUMABLY NOT INVOLVED. BOUMEDIENE IN SPEECH TO OPEC CONFERENCE REPORTED OUR 0586 SPOKE OF POSSIBILITY EMERGENCY GRANTS TO LDCS PRESUMABLY COMING FROM OPEC FUNDS.

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E. LONGER-TERM INVESTMENT IN INDUSTRIALIZED

CONSUMER COUNTRIES: ALGERIA HAS NO FUNDS FOR THIS. IT WILL PROBABLY ARGUE THAT CHARITY BEGINS AT HOME AND SAUDIS AND IRANIANS SHOULD USE THEIR SURPLUSES FIRST TO HELP VARIOUS DEVELOPMENT PLANS OF DESERVING BROTHERS SUCH AS ALGERIANS. THEY HAVE EXPRESSED INTEREST IN TRILATERAL RECYCLING, WITH SAUDI OR IRANIAN MONEY COMING IN UNDER GUARANTEE OF U.S. OR EUROPEAN BANK.

F. SECURITY OF SUPPLIES AND OF OIL MARKETS:

ALGERIANS HAVE EXPRESSED READINESS TO COOPERATE WITH REGARD SECURITY OF SUPPLIES. THEY WOULD ALSO LIKE UNDER-TAKING REGARDING SECURITY OF MARKETS SINCE THEY ARE PARTICULARLY VULNERABLE TO MARKET FLUCTUATIONS,

G. OIL PRICES: MINISTER INDUSTRY AND ENERGY  
ABDESSELAM PROPOSED TO OPEC PRELIMINARY CONFERENCE ON  
JANUARY 24 A FREEZE ON OIL PRICES IN 1975, INDEXATION  
IN 1976-77 BASED ON UNSPECIFIED FACTORS AND APPLIED  
AT A RATE OF 80 TO 90 PERCENT, AND COMPLETE INDEXATION  
BY 1980. PRESIDENT BOUMEDIENE'S REFERENCE IN OPEC  
OPENING SPEECH TO ALGERIA'S WILLINGNESS TO FREEZE PRICES  
OR EVEN TO LOWER THEM AS THE CIRCUMSTANCES REQUIRED  
SHOULD BE READ AS FOLLOW-UP TO THE ABDESSELAM PROPOSAL.  
WHAT BOUMEDIENE APPARENTLY HAD IN MIND WAS THAT IN  
EXCHANGE FOR DC PERFORMANCE ON INDEXATION AND  
REORDERING OF THE WORLD ECONOMY ALGERIANS WOULD BE  
PREPARED TO GIVE CONCESSIONS ON PRICES. OFFER  
THEREFORE HIGHLY CONDITIONAL.

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S E C R E T SECTION 2 OF 2 ALGIERS 0755

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H. DEVELOPMENT OF ENERGY RESOURCES: ALGERIANS  
ARE AGREED IN PRINCIPLE ON NEED TO DEVELOP ALTERNATE  
SOURCES OF ENERGY BUT HAVE REGARDED OUR PORPOSED FLOOR  
PRICE WITH SUSPICION AS SIMPLE ATTACK ON OPEC PRICES.  
THERE IS POSSIBILITY ALGERIANS WOULD BE INTERESTED IF  
FLOOR PRICE WERE HIGH ENOUGH.

I. POSSIBLE ARRANGEMENT FOR FUTURE CONSULTATIONS:  
FOR ALGERIA THIS CONFERENCE IS ONLY ONE SKIRMISH,  
ALBIET IMPORTANT ONE, IN LONG-RANGE CONTINUING BATTLE

TO REORGANIZE WORLD ECONOMY. ALGERIAN INTEREST IN FUTURE CONSULTATIONS ON THIS TRACK WILL BE DETERMINED BY OUTCOME PRELIMINARY CONFERENCE. SEE BELOW.

4. ADDITIONAL ISSUES THAT MAY BE RAISED BY PRODUCERS AND/OR LDCS.

A. STABILIZATION OF RAW MATERIALS PRICES AT HIGH LEVELS: ALGERIANS ARE IN FOREFRONT OF THOSE ARGUING FOR IMPROVEMENT AND STABILIZATION OF TERMS OF TRADE FOR LDCS. THEY WILL ARGUE IN TERMS OF HISTORIC INJUSTICES PERPETRATED BY COLONIALISM AND NEO-COLONIALISM.

B. INDEXATION OF THE PRICES OF OIL AND OTHER  
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COMMODITIES: ALGERIANS WERE EARLY PROPONENTS OF CONCEPT OF INDEXATION AND CAN BE COUNTED ON TO PUSH IT STRONGLY.

C. GUARANTEED MARKETS FOR SPECIFIED QUANTITIES OF EXPORTS: THIS IS ALSO PART OF ALGERIAN CONCEPT OF REORDERING WORLD ECONOMY.

D. ELIMINATION OF CONFRONTATIONAL POSTURING:  
ALGERIANS UNSUCCESSFULLY SOUGHT HAVE LAST OPEC CONFERENCE CONDEMN U.S. THREATS AGAINST OIL PRODUCERS. WE ARE TOLD THAT BY END OF CONFERENCE THEY WERE NO LONGER SERIOUSLY PUSHING IDEA BUT IT REMAINS A RECURRING THEME IN ALGERIAN PROPAGANDA AND WE WOULD NOT BE SURPRISED TO SEE THEM RAISE IT AGAIN IN PARIS. WE SUGGEST BEST WAY OF DEALING WITH IT IS TO REFRAIN FROM ANY FURTHER OFFICIAL SPECULATION ON THE SUBJECT AND TO TREAT MATTER AS DEAD ISSUE. CONFRONTATION POSTURING, HOWEVER, IS STANDARD ALGERIAN TACTIC AND THEY WILL PRESUMABLY PUSH IT AS LONG AS IT APPEARS PROFITABLE TO FORCE CONCESSIONS AND RECOGNITION OF THEIR LEADERSHIP.

E. EXPLOITATION OF THIRD WORLD BY INDUSTRIALIZED COUNTRIES: ALGERIANS OF COURSE ARE NUMBER ONE PROPONENT NEW WORLD ORDER. THEY ARE VERY SERIOUS ABOUT IT AND VERY EFFECTIVE IN PROMOTING IT. WE HAVE INDICATED TO DEPARTMENT OUR BELIEF WE SHOULD BE DEVOTING MORE ATTENTION TO DEALING WITH ALGERIAN CAMPAIGN. IN PARTICULAR ALGERIANS FEEL STRONGLY THAT NEW WORLD ORDER IS THE PRIMARY BUSINESS OF THE FOLLOW-UP CONFERENCE. (WOULD BE USEFUL HAVE SOME AGREED TERMINOLOGY HERE. PRELIMINARY CONFERENCE IS CLEAR ENOUGH BUT WHAT DO WE CALL THE ONE THAT FOLLOWS IT?

TERM FINAL IMPLIES FOLLOW-UP CONFERENCE WILL BE LAST. DO NOT BELIEVE THAT REALISTIC.) BRITISH HAVE IMPRESSION THAT IF ALGERIANS DO NOT GET THEIR WAY ON THIS ISSUE THEY WILL LEAVE THE CONFERENCE. ON REFLECTION, WE THINK THAT WOULD BE UNCHARACTERISTIC OF THEM. THEY ARE LIKELY TO STAY AND FIGHT IT OUT IN SPOILER ROLE.

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F. REFORM OF THE INTERNATIONAL MONETARY SYSTEM:  
AGAIN THIS IS SOMETHING FOR WHICH ALGERIANS HAVE BEEN PUSHING. THEY REGARD OUR RECENT ACTIONS WITH REGARD TO GOLD AS A PLOT AGAINST OIL PRODUCERS AND ARE DEEPLY CONCERNED BY DECLINING VALUE OF DOLLAR IN WORLD MARKETS, WHICH DIRECTLY AFFECTS THEIR DEVELOPMENT EXPENDITURES.

G. CONSERVATION OF PETROLEUM RESOURCES TO OPTIMIZE THEIR USE: ALGERIANS ARE COMMITTED TO THIS IN THEORY BUT IN PRINCIPLE ARE INTERESTED IN SELLING THEIR RESOURCES AT A MAXIMUM RATE IN ORDER TO ADVANCE THEIR DEVELOPMENT PLAN.

H. EXPECTATIONS AND GENERAL STRATEGY FOR THE PREPARATORY MEETING AND FINAL CONFERENCE: ALGERIANS WILL MAKE EVERY POSSIBLE EFFORT TO ORGANIZE SOLID FRONT OF OPEC AND LDCS. THEIR MAIN EFFORT AT PREPARATORY CONFERENCE WILL BE DIRECTED TOWARD AGENDA AND COMPOSITION FOR FOLLOWING CONFERENCE. TO ALGERIANS AGENDA IS IMPORTANT SUBSTANTIVE ISSUE AND IN THEIR VIEW QUESTIONS OF RAW MATERIALS OTHER THAN PETROLEUM AND OF NEW WORLD ORDER TAKE PRECEDENCE OVER THE QUESTION OF PETROLEUM AND ENERGY. ALGERIANS WILL FIELD FIRST TEAM AND WILL WANT PLAY MAJOR ROLE IN ALL ASPECTS OF CONFERENCE. SOME MEMBERS OF DELEGATION MAY BE APPROACHABLE, PARTICULARLY BELAID ABDESSELAM, MINISTER OF INDUSTRY AND ENERGY WHO, WE ASSUME, WILL HEAD DELEGATION. ALGERIANS ARE SENSITIVE AND PROUD HOWEVER AND WILL REACT VIGOROUSLY AGAINST CONDESCENSION OR IMPLICATIONS THEY SECOND RATE POWER. WE WILL GIVE MORE SPECIFIC READING REGARDING APPROACHABILITY WHEN COMPOSITION DELEGATION KNOWN.

5. THERE ARE SEVERAL DOCUMENTS WHICH WE RECOMMEND MEMBERS OF DEPARTMENT NEGOTIATING TEAM SHOULD BE FAMILIAR WITH. THESE ARE MINISTRY OF INDUSTRY AND ENERGY ABDESSELAM'S STATEMENT OF JANUARY 24 REPORTED IN OUR 271, OPENING SPEECH AT ALGIERS OPEC SUMMIT BY PRESIDENT BOUMEDIENE AND MEMORANDA SUBMITTED TO OPEC SUMMIT AND REPORTED IN SUMMARY IN OUR 0621. WHILE ALGERIANS MAY ADD REFINEMENTS TO POSITIONS SET FORTH IN THESE DOCUMENTS, THEY AT LEAST ESTABLISH BASE LINE FROM

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WHICH ALGERIAN POSITIONS ARE LIKELY TO SPRING.

6. SUGGEST THAT GIVEN PERSONALITY PROBLEMS WE  
MAY ENCOUNTER WITH ALGERIAN DELEGATION, WOULD BE  
USEFUL HAVE ECONOMIC OFFICER CHARLES HIGGINSON, WHO  
HAS BEEN FOLLOWING OPEC MATTERS FROM HERE, ATTEND  
PREPARATORY MEETING TO ASSIST OUR DELEGATION WITH  
CONTACTS.  
PARKER

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## Message Attributes

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